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## An Exploratory Study on the Possibility of Assets Misappropriation among Royal Malaysian Police Officials

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### Abstract

Survey report on occupational fraud 2014 revealed that asset misappropriation schemes were the most common type of occupational fraud, comprising 85% of the cases reported, followed by corruption and financial statement fraud. Assets misappropriation causes lasting damage, particularly to the image and public confidence towards the organization. Auditor General Report 2012 reported millions ringgit loss of assets in Royal Malaysian Police for the period 2010 to 2012. Police officer can easily abuse their power or exploit their position for personal gains which subsequently will tarnish the image of public sector as a whole. This study aims to assess the possibility of asset misappropriation among Royal Malaysian Police. The findings revealed that 96% of the respondents disagree that they usually file for fictitious medical expenses and none of the respondent agrees they have committed the offence. 92% of the respondents disagree that they have taken office's assets such as handcuffs and weapon for personal use and only 2 out of 186 respondents agreed that they have committed the offence. The finding of this study should provide some light that overall asset misappropriation among Malaysian Royal Police officials is within control.

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## 1.0 INTRODUCTION

Fraud has become one of the greatest pressures in the economy world due to its extremely costly problem, affecting the private and public sector organisations. The Association of Certified Fraud Examiners' (ACFE, 2014); reported that the typical organization loses 5% of revenues each year to fraud. If applied to the 2013 estimated Gross World Product, this translates to a potential projected global fraud loss of nearly \$3.7 trillion. The median loss caused by the frauds in the study was \$145,000. Additionally, 22% of the cases involved losses of at least \$1 million.

Knowing how much fraud actually costs is a difficult task. The cases that we know about only represent a small part of it. For example, the cases like Enron, WorldCom, Xerox, Adelphia, Tyco, and Global Crossing has been a prominent business topic during the past few years. To understand how expensive fraud is, we can look at the Enron case. In 2001, Enron's investors lost billions of dollars; employees lost their jobs and have their retirement plans shattered (W.Steve Albrecht, Chad O. Albrecht, 2004).

Auditor General Malaysia, Tan Sri Dato' Setia Haji Ambrin Bin Buang, in The International Conference "Dealing with Public Sector Fraud: Enhancing Integrity and Transparency in Government Financial Management" in 2008 stressed that fraud and corruption are omnipresent. It is not confined to poor countries. It has happened in developed countries going by the reports about Enron and WorldCom in U.S.A, Banco Ambrosiano in Italy, Barrings in UK etc. Similar scenario happens in Malaysia where according to police records in 2006, there were 6,921 commercial crime cases amounting to RM 685 million involving criminal breach of trusts, cheating, and cybercrime. On top of that, Malaysia has recorded 2,892 cases involving falsification, fake currency notes, credit cards and offenses under the Copyright Act such as the censorship Act.

Over the years, the Auditor General Report revealed a string of suspected fraud cases in the country. For example, few years ago, four chimpanzees were brought into the country to the Taiping Zoo, and falsely declared as being sourced from a breeding state in Nigeria. However, these animals were actually captured from the wild jungles which, if traded, it would be a violation of the International Convention in Trade in Endangered Species. Throughout the process, the cost of bringing and sending back the animal involved public expenditure.

In a statistic provided by the Malaysian Anti-Corruption Commission (MACC), from the year 2007 until 2013, the number of investigated cases of misconduct (consist of corruption and abuse of power under MACC Act 2009) in the category of government servants were higher compared to the other categories such as private sector employees, politician, and surveillance. The percentages were 60% from government servant, 17% of private sector employees, 20% from surveillance, and 3% from the politicians. This is a worrying phenomenon since the government sectors were operating at the expense of the public at large through the payment of taxes. The loss caused from the fraud will give impact to the nation and the public as well.

While in the other statistic, provided by the Enforcement Agency of Integrity Commission (EAIC), the number of investigated cases among 21 Malaysian Government Regulatory and Enforcement Agencies, such as Royal Malaysian Police Department, Royal Malaysian Customs Department, Volunteers of Malaysian People (RELA), Road Transport Department, and Immigration Department of Malaysia, for the year 2012 until 2014, were 150, and 124 of the cases were from the Royal Malaysian Police Department. It makes 83% of the cases investigated were from Royal Malaysian Police Department.

The Malaysian government has spent time, money and efforts to control the number of fraud occurrence. For example, The Malaysian Institute of Corporate Governance has introduced Malaysian Code on Corporate Governance Act (MCCG) in 2000 and revised it in 2007 to strengthen boards of directors and audit committees in order to ensure that they are able to perform their roles effectively. In 2004, the government, had established the Integrity Institute of Malaysia\* to promote and enhance ethics and integrity among Malaysian (Integrity Institute of Malaysia, 2005). Bursa Malaysia has also revamped its listing requirements, pursuing to Section 9 of the capital Market and Services Act 2007, aimed at raising the corporate governance standards amongst listed companies and increasing investors' confidence (Bursa Malaysia, 2008). Malaysia Institute of Accountants (MIA) also revised the

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\* The Malaysian Institute of Integrity (MII), was established as a coordinating agency for the implementation of the National Integrity Plan (NIP) with the main objective is to develop a nation of high integrity, that is resilient and embraces universal good values. See <http://www.iim.org.my/> for further explanation.

International Standards on Auditing (ISA) AI 240 on 'Fraud and Error' which requires auditor to be more proactive in searching for fraud during the course of an audit (Lee, Haron, Ismail, Che Haat, Zaini, Ying, 2009)

In the efforts of combatting corruptions, Malaysian government has established Malaysian Anti-Corruption Commission (MACC) in 2009 replacing the Anti-Corruption Agency (ACA). In 2009, the government has introduced a new approach towards transforming the government and public sector by focusing on the six National Key Results Areas (NKRAs) under the Government Transformation Programs (GTP) with the main objective towards the government machinery to be more effective in its service delivery. One of the programs in GTP is 'Fighting Corruption' with the initiatives aimed to arrest the issue of corruption through a number of broad-based initiatives that addressed the problem of corruption from the top-down and not only look at the problem of corruption within the enforcement agencies, but also tightened the Government procurement system to minimise opportunities for corruption.<sup>†</sup>

Despite those efforts, however, Malaysia's performance has not much improved; the string of suspected case of asset misappropriation revealed in Auditor General Report, and financial statement fraud that keep occurring among Malaysian companies, and in the recent survey by Transparency International on Corruption Perceptions Index (CPI) 2013, Malaysia has only managed to creep up one slot in the rankings from 54 to 53 out of 177 countries, scored 50 but remained in the average range of perception from the people, indicating that graft-fighting measures efforts are still inadequate (The Sun Daily, 2013). This study aims to assess the possibility of public sector official, specifically Royal Malaysian Police (RMP) to get involved in asset misappropriation.

## 2.0 LITERATURE REVIEW

The Association of Certified Fraud Examiners' (ACFE) classify fraud into two; those who committed on behalf of an organization, and those who committed against an organization. The fraud committed on behalf of an organization is usually through actions of the top management and the most common is fraudulent financial reporting. These frauds are committed in order to make reports earning look better or to increase a company's stock price. Frauds against an organization are known as employee embezzlement or occupational fraud.

ACFE (2014) defined occupational fraud as "...the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." ACFE then classified occupational frauds into three primary categories: asset misappropriations, corruption and financial statement fraud and defined all those categories as follows; asset misappropriation is a fraud scheme in which an employee steals or misuses the employing organization's resources, such as theft of company's cash, false billing schemes, and inflated expense reports. Corruption is a fraud scheme in which an employee misuses his or her influence in a business transaction in a way that violates his or her duty to the employer in order to gain a direct or indirect benefit, such as schemes involving bribery or conflicts of interest, illegal gratuities and economic extortion.

ACFE reported in their survey "Report to the Nation on Occupational Fraud and Abuse 2014", asset misappropriation schemes were the most common type of occupational fraud, comprising 85% of the cases which has been reported to them, followed by corruption at 37% and financial statement fraud schemes at 9%.

Asset misappropriation involved the theft of an entity's assets, often perpetrated by employees in relatively small and immaterial amounts; and by management who are usually more able to conceal misappropriations in ways that are difficult to detect. (Larelle Chapple, Colin Ferguson, Diana Kang, 2007)

Asset misappropriation includes a variety of guises, such as the submission of inflated or false expenses claims, the theft or alteration of cheques, fraudulent transfers into bank accounts, collusion with customers and suppliers such as overstating the purchase invoices, sale of the organizations' assets at undervalue, and employees trading for their own account (Turner, 2008).

In a local context, a group of researchers found that there are two types of assets most likely being misused in the Local Authority, which are vehicles and internet connection (26% each), second is computer equipment (20%), third, stationery (18%), and lastly, telephone (9%). The highest ranking for vehicles and internet connection might imply that the two types of assets had the highest risk to be misappropriated. (Ab Majid, Mohamed, Abdullah,

<sup>†</sup> - See more at: [http://www.pemandu.gov.my/gtp/Fighting\\_CorruptionGTP\\_1@0\\_Fighting\\_Corruption.aspx#sthash.txrtiauN.dpuf](http://www.pemandu.gov.my/gtp/Fighting_CorruptionGTP_1@0_Fighting_Corruption.aspx#sthash.txrtiauN.dpuf)

Mahmud, 2010)

### 3.0 RESEARCH METHODOLOGY

In this study, the target population is Royal Malaysian Police Officials. Self-administered questionnaire were randomly distributed to Royal Malaysian Police Officials in Kuala Lumpur and Selangor, Malaysia. According to the statistic on the numbers of investigated misconduct cases according to state from 2012 until 2014, provided by the Enforcement Agency of Integrity Commission (EAIC), cases from Kuala Lumpur and Selangor were the highest among other states. 52% of the cases investigated were from Selangor and Kuala Lumpur. A total of 186 questionnaires were received out of 200 questionnaires distributed.

### 3.1 VARIABLE MEASUREMENT

The questionnaire consists of two (2) sections. The first section requires the respondents to choose their demographic information such as gender, age, marriage status, job position, average monthly salary, education level, and number of years serving the department. In the second section the respondents were asked to provide their opinion on their own usual practice on utilizing the office assets and facilities by using five point Likert-type rating scale ranging from 1 (strongly disagree) to 5 (strongly agree). The item is adapted with some modification from a previous study on the possibility of misappropriation of assets in a Local Authority by (Ab Majid, Mohamed, Abdullah, Mahmud, 2010).

Table 1: Asset Misappropriation

Item Description	
I ...	
• ...used an office vehicle for personal reasons.	
• ...used office internet services for personal purposes.	
• ...used some of the uniforms given inappropriately.	
• ...took some of the office assets without superior permission. Such a, handcuffs and weapons.	
• ...bring home some of the office assets for personal use. Such as, handcuffs and weapons.	
• ...add extra hours to the actual hours worked for overtime claim.	
• ...file for travelling expenses for personal travelling.	
• ...file for fictitious medical expenses.	
• ...used office computer and printer personal purpose.	
• ...borrowed office petty cash money for personal used.	

### 4.0 FINDINGS

A total of 186 from 200 questionnaires distributed were returned, thus it makes 93% responses received. According to Alreck, & Settle (1995) gaining a response rate of 5% to 10% has become common in research. Therefore, the response rate received by this study is considered excellent. In the first section of the questionnaire, the respondents were asked about their demographic information which includes gender, age group, marital status, job position, average monthly income, years of services and education level. The respond is as per Table 2 below:

Table 2: Demographic Information of Respondents

Demographic Profile	Frequency	Percent (%)
Gender:		
Male	152	81.7
Female	34	18.3
Age Group:		
Under 20 years	2	1.1
20 to 25 years	30	16.1
26 to 30 years	72	38.7
31 to 35 years	24	12.9

36 to 40 years	16	8.6
41 to 50 years	26	14.0
51 years and above	16	8.6
Marital Status:		
Single	64	34.4
Married	118	63.4
Widow	4	2.2
Job Position:		
Constables	36	19.4
Lance Copral	34	18.3
Copral	66	35.5
Sergeant	16	8.6
Sergeant Major	4	2.2
Inspector	20	10.8
Others	10	5.4
Average Monthly Income:		
RM1,000 - RM2,000	44	23.7
RM2,001 - RM3,000	56	30.1
RM3,001 - RM4,000	52	28.0
RM4,001 - RM5,000	24	12.9
RM5,001 and above	10	5.4
Year of services:		
Less than 1 year	4	2.2
1 - 3 years	42	22.6
4 - 5 years	24	12.9
6 - 10 years	44	23.7
11 years and above	72	38.7
Education level:		
SPM/MCE/Certificate	137	73.7
Diploma	19	10.2
Degree	28	15.1
Master degree	2	1.1

From 186 respondents, 152 were male and 34 female; equals to 81.7 % male while another 18.3 % female. It is expected since most of the Royal Malaysian Police officials were male. Currently the agency has 113,666 personnel and only 11.7% of these numbers are women (Bernama, 2014).

For age group, only two respondents were under 20 years old, 16.1 % were 20 to 25 years old, 38.7% were 26 to 30 years old, 12.9% were 31 to 35 years old, only 8.6% were 36 to 40 years old, 14% were 41 to 50 years old and 8.6% were 51 years and above. From that, it can be concluded that majority of the respondent were 20 to 35 years old which comprise 67.7% of the respondents.

In marital status, majority of the respondent were married, which comprise of 63.4%, 34.4% were single, only 4 respondents were widowed.

A total of 66 from 186 of the respondents were with job position as a Corporal, which comprise 35.5% of them. Another 18.3% were Lance Corporal and 10.8% were Inspector, 19.4% Constable, Sergeant at 8.6%, and lastly 2.2% of the respondents were Sergeant Major

Next, the respondents were asked about their average monthly income. 23.7% earn around RM1,000 to RM2,000 per month, 30.1% earn around RM2,001 to RM3,000 per month, 28% of the respondents get around RM3,001 to RM4,000 per month, 12.9% with income from RM4,001 to RM5,000 per month and only 5.4% with income RM5,001 and above per month.

About 38.7% of the respondents have been working with Royal Malaysian Police Department for 11 years and more, 23.7% for 6 to 10 years, 12.9% for 4 to 5 years, 22.6% served for 1 to 3 years and only 2.2% with less than a year of service for Royal Malaysian Police Department. This shows that, most of the respondents were experienced and have fine understanding about the work procedure in their field.

Lastly, the respondents were asked about their educational level. Majority of the respondents were SPM/MCE/Certificate holder, which consists of 73.7% of the respondents. 10.2% of them were a Diploma holder, 15.1% pursuing study until University Degree level, 1.1% were a Master Degree holder and none of them were a

PHD holder.

In the second section of the questionnaire, the respondents were asked about their usual practice in utilising the asset of their organisation. The respond is as per Table 3 below:

Table 3: Asset Misappropriation

Item Description	(%) Strongly disagree	(%) Disagree	(%) Neutral	(%) Agree	(%) Strongly agree
I ....					
...used an office vehicle for personal reasons.	75	9	5	3	8
...used office internet services for personal purposes.	73	10	3	8	6
...used some of the uniforms given inappropriately.	80	8	6	5	1
...took some of the office assets without superior permission. Such as, handcuffs and weapons.	87	5	5	2	0
...bring home some of the office assets for personal use. Such as, handcuffs and weapons.	89	5	1	3	2
...add extra hours to the actual hours worked for overtime claim.	78	5	4	5	7
...file for travelling expenses for personal travelling.	77	12	3	6	1
...file for fictitious medical expenses.	92	4	4	0	0
...used office computer and printer for personal purpose.	74	14	2	4	6
...borrowed office petty cash money for personal used.	83	5	8	2	2

From table 3 the finding revealed that 84% respondents disagree they have used office vehicle for personal reasons. However, 11% agrees they have used office vehicle for personal used. 83% of the respondents disagrees that they have used internet services for personal purposes and 11% agrees they used internet service for personal used. 88% of the respondents disagrees that they have used the uniform given inappropriately and 6% agrees they have used the uniform provided inappropriately.

92% of the respondents disagrees that they took some of the office assets such as handcuffs and weapons without superior permission. Only 2% of the respondents agree that have committed the offence. 96% of the respondents disagree that they have experience in filing fictitious medical expenses in their organization. None of the respondents agrees that they have committed the offence. 94%, respondents agree that they usually bring home some of the office assets, such as handcuffs and weapons for personal use and only 2% of the respondents strongly agree that they usually bring home the office asset for personal use.

88% of the respondent disagree that they have borrowed office petty cash money for personal used. Only 4% agrees that they have committed the offence. Other than that, 83% of the respondents disagree that they usually add extra hours to the actual hours worked for overtime claimed. However, 12% agrees that they have experienced in filing extra hours to their overtime claim. 96% disagrees that they have involved in fictitious medical expenses. None of them agrees that they have involved in such activities.

## 5.0 CONCLUSION

With the current situation and allegation that some of the police officials are practicing misconduct as a norm in their daily role, although the personnel involved in the cases of misconduct only represents a tiny portion of the agency, not even representing 1% of the population of Royal Malaysian Police Department from the whole Malaysia, it still scratches the unwanted mark to the enforcement agency as a whole. Hence, proper and systematic internal control is crucial to be implemented as it will grow the confidence among the stakeholders. Question over the efficiency of punishment mechanism to the personnel whom practice the misconduct or fraudulent activities is

heard out loud. Therefore, it is vital to acknowledge that by introducing the control factor, it will contribute to boost their integrity. As far as the stakeholders are concerned, strict action towards dishonest person is more justified together with implementing the preventive measure as a main control system.

The collaboration between Malaysian Anti-Corruption Commission (MACC), Enforcement Agency of Integrity Commission (EAIC), and Royal Malaysian Police Department in the effort of reducing misconduct among its officials seems as a good idea since it could promotes higher ethics and integrity among their officials. It is also suggested that the department should also produce report on any activities taken in order to enhance the integrity of their officials and they should also create their own “wall of shame” to report on the misconduct that had been confirmed and sanctioned under the law. This could educate the public on the significant step that has been taken by the department in reducing misconduct among its officials, and the report should be made available for the public to assess.

Division of Religion and Counselling (BAKA) in Royal Malaysian Police Department also need to establish consistent and continuous programmes that could enhance the religious knowledge among their officials until they could integrate Islam as their way of life, especially in delivering their responsibilities as police officials. They need to be equipped with adequate level of religious knowledge to deter them from being involved in fraud.

Since the government took a step forward in providing the country with a developed nation, Royal Malaysian Police Department is one of the enforcement agencies that hold the responsibilities to ensure that the Government Transformation Programs (GTP) can be achieved. This is because one of the programs in GTP is known as ‘Fighting Corruption’; which everyone should play their own role to address the problem of corruption in their own agency as well as the whole Malaysia.

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